CANADIAN OCCIDENTAL PETROLEUM LTD.
1972 ANNUAL REPORT

CANADIAN OCCIDENTAL PETROLEUM LTD.

DIRECTORS

PAUL A. BAILLY
President, Occidental Minerals Corporation,
Wheat Ridge, Colorado

* **ROBERT J. CAVERLY**
Executive Vice-President
Occidental Petroleum Corporation
Los Angeles, California

* **DAVID B. CHALMERS**
President;
President and Chief Executive Officer
Petrogas Processing Ltd.;
Calgary, Alberta

* **DR. ARMAND HAMMER**
Chairman of the Board, President
and Chief Executive Officer
Occidental Petroleum Corporation,
Los Angeles, California

* **J. HOWARD HAWKE**
President, The Glengair Group Limited,
Toronto, Ontario

RONALD P. KLEIN
Vice-President and General Counsel
Occidental Petroleum Corporation
Los Angeles, California

LEO L. LeCLERC
Industrial Development Co-ordinator,
Edmonton, Alberta

J. ANGUS McKEE
President, J. Angus McKee &
Associates Limited,
Toronto, Ontario

MORRIS M. MESSING
South Orange, New Jersey

JOHN M. ROBERTSON, Q.C.
Partner,
Fenerty, McGillivray, Robertson,
Prowse, Brennan, Fraser, Bell and
Hatch
Calgary, Alberta

* **ROBERT A. TEITSWORTH**
Chairman of the Board;
Executive Vice-President,
Occidental Petroleum Corporation,
Bakersfield, California

*Member of the Executive Committee

OFFICERS

ROBERT A. TEITSWORTH
Chairman of the Board

DAVID B. CHALMERS
President

DR. ARMAND HAMMER
Chairman of the Executive Committee

HOWARD B. SHELTON
Vice-President

JOHN J. McLAUGHLIN
Vice-President

WILLIAM G. O'ROURKE
Secretary and Counsel

DAVID BERTRAM
Treasurer-Controller

PAUL C. HEBNER
Assistant Secretary

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The Annual General Meeting of the Shareholders of the Company will be held at the Royal York Hotel, Toronto, Canada on May 7, 1973 at 11:00 a.m.

The cover photograph shows the jack-up drilling rig "J. Storm I" which was drilling on the Company's lease block in offshore Louisiana at year-end.

FINANCIAL AND OPERATING HIGHLIGHTS

	1972	1971 (Restated)
FINANCIAL		
Revenues	$28,505,000	$26,713,000
Cash Flow from Operations	$ 9,682,000	$ 8,241,000
Per share†	$1.43	$1.35
Net Income	$ 5,310,000	$ 3,290,000
Per Share†		
Income Before Extraordinary Items	$ .79	$ .59
Extraordinary Items	$ —	$ (.04)
Net Income	$ .79	$ .55
Working Capital	$10,753,000	$11,252,000
Capital Expenditures	$10,225,000	$12,213,000
Long-term Debt	$ 175,000	$ 200,000
Shareholders' Equity	$72,048,000	$66,738,000

†Based on weighted average number of shares outstanding.

	1972	1971 (Restated)
SHAREHOLDERS AND EMPLOYEES		
Number of Shareholders	3,769	3,983
Number of Shares Outstanding	6,752,241	6,752,241
Number of Employees	401	376

	1972	1971 (Restated)
OPERATING		
Crude Oil and Natural Gas Liquids Production (barrels)	841,000	693,000
Pipeline Gas Sales (thousands of cubic feet)	19,000,000	19,200,000
Sulphur Production (long tons)	237,000	257,000

For Canadian capital gains tax purposes, the Department of National Revenue has published a December 22, 1971 Valuation Day price of $9.13 for the common shares of the Company.

CORPORATE HIGHLIGHTS

IMPROVED FINANCIAL RESULTS

Outstanding financial results for the year were highlighted by a 61% increase in net income. At year-end, cash and demand deposits amounted to $6.1 million, working capital approximated $10.8 million, and the Company was essentially free of long-term debt.

OFFSHORE EXPLORATION

The Company embarked aggressively into foreign exploration by expending approximately $3 million for a 20% interest in a lease block located in the active and hydrocarbon-rich offshore area of south Louisiana. A blow-out on the first well demonstrated in a spectacular way the existence of natural gas in the upper horizons.

INCREASED OIL PRODUCTION

Crude oil production increased 72% during the year due to the purchase effective January 1, 1972 of producing properties in the Alida West and Warmley fields of Saskatchewan.

CHLOR-ALKALI PLANT EXPANSION

The expansion of the North Vancouver chlor-alkali plant was completed at year-end. This expansion increased production capacity of chlorine from 330 tons to 395 tons per day and caustic soda from 363 tons to 435 tons per day. The new production is dedicated under long-term contracts to meet the total requirements of two new pulp mills in British Columbia.

TO THE SHAREHOLDERS

The year 1972 was the first complete calendar year of operations for Canadian Occidental Petroleum Ltd., which was formed as a result of the amalgamation of Jefferson Lake Petrochemicals of Canada Ltd. with New Hooker Canada Limited, a wholly-owned subsidiary of Occidental Petroleum Corporation. In this reorganization, Jefferson Lake's oil and gas operations were combined with Occidental's Canadian chemical operations. In addition, the Company purchased all of Occidental's Canadian oil and gas properties and retired $7,200,000 in notes and accrued interest payable to Occidental Petroleum Corporation.

The financial and operating results of the Company for the past year demonstrate the success of the reorganization. The sound base of earnings and cash flow from the Company's chemical operations together with the improvements in the oil and gas sector of its business are reflected in the substantial increase in earnings and record level of cash flow from operations.

Cash flow was $9,682,000 or $1.43 per share, as compared to $8,241,000 or $1.35 per share for the prior year. Net income was $5,310,000, an increase of 61% over $3,290,000 for the previous year. On a per share basis this amounted to 79 cents, an increase of 43% over the 55 cents earned in 1971. Revenues were $28,505,000, as compared to $26,713,000 the previous year.

The Company's strong financial position and cash flow enabled it to take advantage of important new business opportunities during the year. Substantial funds were invested in a major expansion of the Company's chlor-alkali facilities at North Vancouver and in the purchase of a 20% interest in a lease block in the hydrocarbon-rich offshore area of south Louisiana. In addition, the Company was able to pursue an aggressive oil and gas exploration program in the Canadian Western Sedimentary Basin resulting in several discoveries. Also, the Company was able to achieve further diversification through the acquisition of the assets of Occidental Minerals Corporation of Canada which the Company has utilized as a base to carry on a meaningful minerals exploration program in Canada.

The ever-increasing energy requirements of the North American market will assure the continued strong demand for petroleum and natural gas, and the major thrust of the Company will be to expand its activities in this area of operations. There were industry-wide crude oil price increases in Canada of ten cents per barrel in November, 1972 and of 20 cents per barrel in January, 1973. During the same period, condensate prices increased by 40 cents per barrel. These price increases are indicative of the growth opportunities in the energy business.

The gas price arbitration proceedings which were initiated by the Company and successfully concluded in December, 1971 not only resulted in greatly improved revenues for the Company in 1972, but were also the catalyst for the Government of Alberta and the industry to take necessary steps to correct the inequitable and unreasonably low level of natural gas prices in western Canada. This should result ultimately in further price improvements for the Company's natural gas production which, together with the improved prices for crude oil, will add further inducements and incentives to carry on an aggressive oil and gas exploration program in western Canada.

Shortly after the year-end, the Company announced increases in the price of sulphur delivered to its customers in the United States and Canada. These increases of between $2.00 and $3.00 per long ton raised the price to all customers in North America to $9.00 per long ton f.o.b. plants in Alberta and British Columbia. It is gratifying that a number of other producers of sulphur in Alberta followed the leadership of your Company by making similar increases in the price of sulphur. A tightening supply of molten sulphur, rising operating costs and a firming trend in the fertilizer markets made it possible to effect some improvement in the selling price of this important natural resource. An upward trend in sulphur prices should add further incentive for the industry to explore for sour natural gas in western Canada.

During the past year, your Company's major shareholder, Occidental Petroleum Corporation, announced that it had entered into an agreement with the U.S.S.R. covering a number of proposed ventures in fields that include oil and gas, chemicals and mining. Although Canadian Occidental Petroleum Ltd. is not a party to this agreement, the Company has expressed an interest and desire to participate in any of these business opportunities that may be economically advantageous to your Company. Although discussions with Occidental Petroleum Corporation on this subject have been only preliminary in nature, it has undertaken to consider possible participation with Canadian Occidental Petroleum Ltd. in some areas of the overall project.

In view of the solid financial and operating posture of the Company as well as the favourable outlook for the North American economy for 1973, the future of the Company appears bright.

Your management is pleased to acknowledge the contributions and efforts of our employees who played such a key role in concluding a successful year. Further, the Company is grateful to its shareholders who have supported the management of the Company with their loyalty and confidence.

Respectfully submitted,

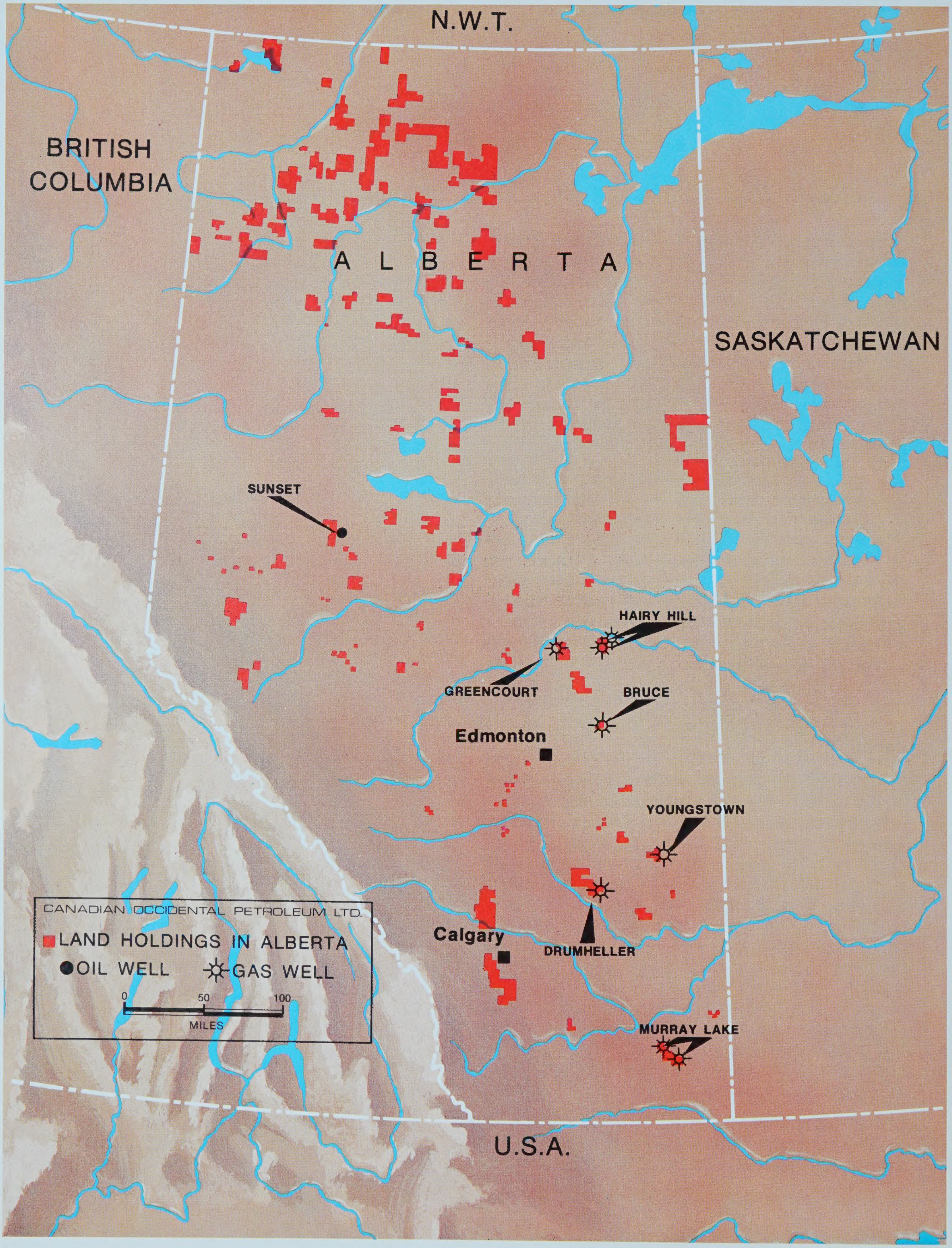
David B Chalmers

DAVID B. CHALMERS
President

Robert A. Teitsworth

ROBERT A. TEITSWORTH
Chairman of the Board

Calgary, Alberta
March 15th, 1973


N.W.T.
BRITISH COLUMBIA
ALBERTA
SASKATCHEWAN
SUNSET
HAIRY HILL
GREENCOURT
BRUCE
Edmonton
YOUNGSTOWN
DRUMHELLER
Calgary
MURRAY LAKE
U.S.A.
CANADIAN OCCIDENTAL PETROLEUM LTD.
LAND HOLDINGS IN ALBERTA
OIL WELL
GAS WELL
0
50
100
MILES

OIL AND GAS OPERATIONS

Land

The following table shows the Company's land holdings by area at December 31, 1972 with comparative totals for 1971. The decrease in acreage was due primarily to the surrender of lands in the Foxe Basin area of the Arctic Islands and in southeastern Saskatchewan following geological and geophysical evaluations. In Alberta, where the Company continues its aggressive policy of land acquisition, the gross and net land holdings have increased by 1,539,335 and 1,493,961 acres, respectively. The totals include Permits or Reservations of which approximately 50% may be retained as leases.

	1972		1971	
	Gross	Net	Gross	Net
Alberta	4,604,796	4,168,658	3,065,461	2,674,697
Arctic Islands (Note a)	536,679	333,414	2,451,881	2,233,090
British Columbia	8,929	3,700	8,929	3,700
East Coast (Note b)	704,338	—	704,338	—
Northwest Territories	59,968	29,984	419,120	209,560
Saskatchewan	758,030	414,128	1,363,277	901,695
Louisiana Offshore	2,648	530	—	—
	6,675,388	4,950,414	8,013,006	6,022,742

Notes: (a) The gross acreage in the Arctic Islands includes 175,994 acres in which the Company owns a 3% gross overriding royalty.

(b) The Company's interest in the 704,338 acres in the East Coast is a 1.75% gross overriding royalty.

Exploration

The reorganization of the Company in mid-1971, and the resulting increased cash flow, enabled the Company to pursue an aggressive oil and gas exploration program in 1972. During the past year these activities were concentrated in the Canadian Western Sedimentary Basin and the United States offshore waters beyond the coast of Louisiana. The Company participated directly in the drilling of 17 exploratory wells. Of these, three were completed as gas discoveries and one as an oil discovery. In addition, 22 wells were drilled by other companies under option agreements and farmouts, and these wells assisted in evaluating Company lands. Five of these latter wells were completed as gas wells.

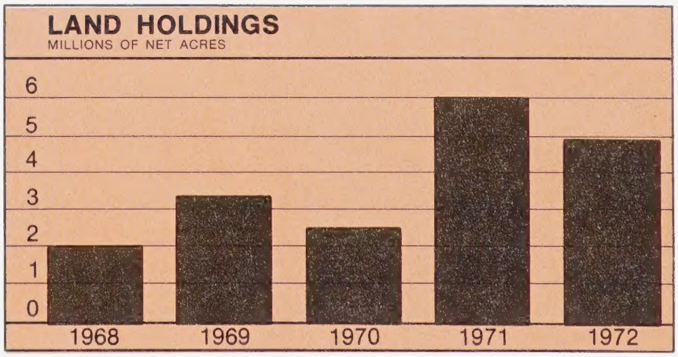
Canada

Nine of the exploratory wells drilled by the Company were to test for the stratigraphic accumulation of gas in the relatively shallow Cretaceous formations of southern and east-central Alberta. The Company was successful in finding sweet gas on its lands at Murray Lake and Hairy Hill. At Murray Lake, in southeastern Alberta, the discovery of sweet gas was made on 50% owned lands, and this well flowed gas at the rate of 5.5 million cubic feet per day during the test period. The Hairy Hill discovery is located 60 miles east - northeast of the City of Edmonton on 23,040 acres 100% owned by the Company. A test of the discovery well and a follow up well on 50% owned lands flowed 2.7 million cubic feet per day and 3.5 million cubic feet per day, respectively, from separate Cretaceous sands.

The Company directly participated in the drilling of six exploratory wells to test prospects in the Devonian Reef formations of central and west-central Alberta. One oil discovery which was finalized after the year-end and a significant oil and gas show in a prior well resulted from this wildcatting. The discovery well located in the Sunset area, near Snipe Lake, Alberta, was cased as a Devonian Beaverhill Lake oil well. The other well, located seven miles southwest of the discovery well, gave encouraging shows in two separate formations, and further drilling is planned in both areas.

Five of the farmout and option wells drilled by others on or adjacent to our lands were completed as gas wells. Your Company's interest in the lands associated with these discoveries varies from 50% at Youngstown, Drumheller and Bruce to 16⅔% at South Murray Lake and 12½% at Greencourt - all in Alberta.

The Company continued its policy of acquiring low priced trend acreage in northern Alberta. During 1972, a total of 17 reservations were purchased at Crown Sales comprising a total of 1,670,400 gross (1,659,307 net) acres. Farmouts and seismic options



have been granted by the Company on eight reservations acquired in 1971. The Company now owns approximately 3,500,000 reservation acres in Alberta, and we expect a significant number of wells to be drilled in 1973 by other companies in close proximity to some of these holdings.

The Company drilled one well in the Wilkie area of Saskatchewan to test the Devonian Winnipegosis Fringing Reef but found the zone water laden. Some prospective lands were acquired on the basis of this test and additional geophysics and drilling is planned for the summer of 1973 on this prospect. Six wildcat wells drilled by other companies on our lands in southern Saskatchewan were dry and abandoned.

United States

On September 12, 1972, your Company, as a 20% working interest partner in the Pennzoil, Mesa, Burmah and Canadian Occidental bidding group, was the successful bidder on South Pass Block 78 at the Louisiana offshore federal sale. This 2,648 acre tract was won over seven other competitive bidders for a price of $15,145,975. Adjoining Tract 77, on which our group also bid, was purchased by a competing group for over $41,000,000.

On November 22, 1972, the jackup rig "Storm Drill II" moved in and commenced drilling the newly-acquired tract. The well, Pennzoil "OCS G 2185" 2, programmed as a deep exploratory test, was drilled to 3,850 feet on December 3, 1972, and was preparing to run casing when it began to flow gas through the drill pipe and simultaneously gas bubbles erupted 60 feet outboard of the drilling rig. All personnel were safely evacuated as the rig began to settle and shortly thereafter, a large explosion threw flames skyward and the rig sank beneath the surface of the sea. Fortunately, this spectacular natural gas flame, which was described as several hundred feet high and up to 400 feet in diameter, was short lived, as within 48 hours it was abruptly arrested when bottom sediments slid into the crater and sealed it off. No significant liabilities were incurred as a result of this incident, nor was there any damage to the local environment, and all parties were highly encouraged by the significant "show" of natural gas to proceed with exploration. Accordingly, on January 11, 1973, the jackup rig "Storm Drill I" was moved to a new location on the prospect and has resumed evaluation drilling on Block 78.

Subsequent to the successful purchase of the Louisiana offshore acreage in September, 1972, the Company formed groups to bid for six of the tracts which were offered for sale at the December 19, 1972 Louisiana offshore federal lease sale. At this sale, which broke all previous sale records for federal exploratory lands, the industry exposed in excess of $6 billion for 135 tracts encompassing approximately 562,000 acres. Actual expenditures at this sale were in excess of $1.6 billion, or $2,977 per acre. Your Company and its partners tendered approximately $65 million for six tracts, of which this Company's share was approximately $18 million. Although the Company was unsuccessful in winning any of these parcels, the selling prices of the leases demonstrated the industry's great interest in this oil and gas prone area.

Our entry into offshore Louisiana exploration represents an expansion of our efforts to seek major new hydrocarbon reserves in selected proven sedimentary basins located beyond the continental limits of Canada which have a good market for products and a stable and favourable political climate. At the same time, we will continue to maintain a strong and dedicated interest in generating high quality domestic prospects.

Production and Development

The Company's principal producing properties are located in the Crossfield Field northeast of Calgary, Alberta. The Company is operator of 50 producing gas wells in this field most of which are in the Calgary Crossfield Unit, the Calgary Elkton Unit and the Calgary Basal Quartz Unit wherein the Company's working interest is 35.02%, 23.23% and 37.73%, respectively. Production from these Units is delivered for processing to the plant located in the field which is owned by Petrogas Processing Ltd. A stage-by-stage expansion of the field gas compression facilities at the Petrogas plantsite has been in progress since 1970 in order to maintain production levels and optimize raw gas deliverability. Phase 2 of this program was completed late in 1972 to meet the peak winter demand for pipeline sales gas.

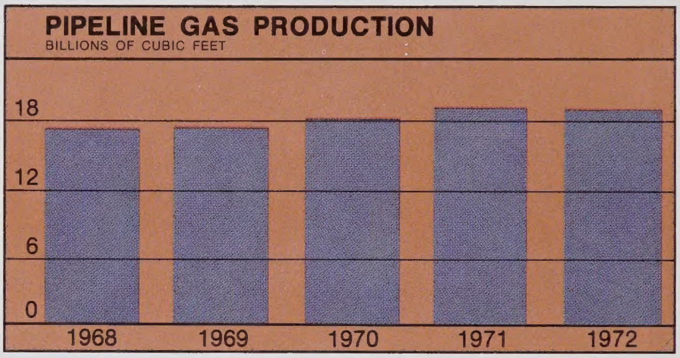
The following table sets forth the Company's share of production from the Petrogas plant for the year with comparative data from the previous year:

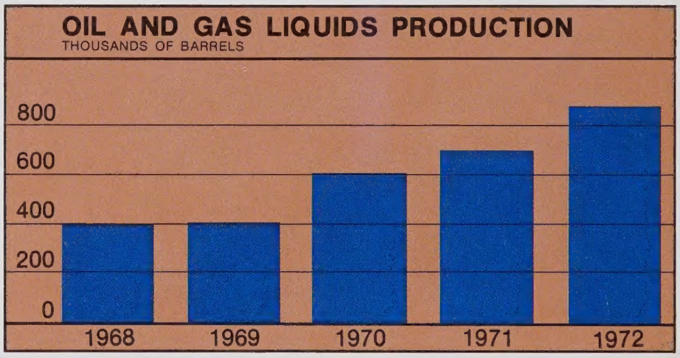
Product	1972	1971
Pipeline Gas (MMcf)	17,819	18,117
Condensate (barrels)	244,800	256,689
Propane (barrels)	123,325	122,939
Butane (barrels)	97,797	92,179
Sulphur (long tons)	165,393	175,298


LOUISIANA
MISSISSIPPI RIVER
WEST DELTA BLK.27
100-299 MILLION BBLS.
NEW 3 GEOGRAPHIC MILES FROM COAST LINE (1971)
WEST DELTA BLK.25
SOUTH PASS BLK.24
500-700+ MILLION BBLS.
WEST DELTA BLK.30
300-499 MILLION BBLS.
WEST DELTA BLK.55
WEST DELTA BLK.59
SOUTH PASS BLK.27
300-499 MILLION BBLS.
ANCHORAGE
WEST DELTA BLK.73
100-299 MILLION BBLS.
WEST DELTA BLK.58
300-499 MILLION BBLS.
WEST DELTA BLK.84
ANCHORAGE
SHIPPING FAIRWAY
GULF OF MEXICO
3 GEOGRAPHIC MILES FROM COAST LINE
WEST DELTA BLK.105
WEST DELTA BLK.117
SHIPPING FAIRWAY
WEST DELTA BLK.133
SHIPPING FAIRWAY
CHEVRON
MOBIL
GULF
$41,316,006
CANADIAN OCCIDENTAL PETROLEUM LTD.
Canadian Occidental Lease
Oil Fields
Gas Fields
(Oil reserves shown are estimated.
Gas reserves are not shown.)
0 3
Scale
U.S.A.
LOUISIANA
FLORIDA
GULF OF MEXICO

Crude oil production increased significantly during the year totalling 364,632 barrels on the Company's share of operated and non-operated properties. This volume represents a 72% increase over the previous year and was mainly attributable to the purchase of producing oil properties in the Alida West and Warmley fields in Saskatchewan effective the first of the year.

In the Sandhills region of Saskatchewan, development drilling and production testing continued in 1972 on the Company's extensive acreage holding. This program to evaluate the production potential of the Milk River sands will continue in 1973. Also, further development drilling was carried on in the Hoosier area of Saskatchewan which resulted in one gas well and one oil well and improved production capabilities.





Reserves

The Company's working interest share of pipeline gas, natural gas liquids, crude oil and sulphur reserves at year-end were estimated to be as follows:

Pipeline Gas — 278 billion cubic feet of proven pipeline gas reserves after deducting 19.0 billion cubic feet produced during the year. Probable additional reserves are estimated at 13 billion cubic feet.

Natural Gas Liquids — 4,940,000 barrels of proven natural gas liquids reserves after deducting 476,300 barrels produced during the year. Probable additional reserves are estimated at 155,000 barrels.

Crude Oil — 2,740,000 barrels of proven crude oil reserves after deducting 364,600 barrels produced during the year. Probable additional reserves are estimated at 2,064,000 barrels.

Sulphur — 3,317,000 long tons of proven sulphur reserves after deducting 171,000 long tons produced during the year. Probable additional reserves are estimated at 100,000 long tons. These figures exclude any sulphur reserves at our Peace River plant where 66,402 long tons were produced during the year from third party gas delivered to the Company operated facility.

Gas Processing and Sulphur Recovery Plants

The gas processing and sulphur recovery operations of the Company are conducted in Alberta and British Columbia. Your Company is manager-operator of the major gas processing complex owned by Petrogas Processing Ltd. in the Crossfield Field northeast of Calgary and owns a 30.9% interest in Petrogas. The plant is one of the prominent producing plants of its kind in the Province of Alberta, and has the capacity to produce 215 million cubic feet per day of specification pipeline gas and 2,000 tons per day of high purity elemental sulphur as well as substantial volumes of condensate, propane and butane.

At Taylor, British Columbia, the Company operates its wholly-owned Peace River sulphur recovery plant which has a design capacity of 325 long tons per day. The hydrogen sulphide feed-stock for this operation is obtained from an adjacent gas treating plant which processes gas from extensive gas fields in the area. Sulphur production from this plant during the year was 66,402 long tons. The Company also owns small working interests in gas processing plants operated by other companies in the Wimborne and East Cross-

field gas fields in Alberta. The Company's share of sulphur production from these latter plants was 5,597 long tons.

In common with other natural resource based companies, environmental protection continued to be an area of major emphasis during 1972. Considerable time, effort and ingenuity has been expended in adapting the operations to meet the more stringent and changing pollution control regulations affecting Company-operated plants.

Sulphur Sales

The supply and demand imbalance with respect to elemental sulphur continued on a worldwide basis through 1972 with the attendant competitive problems and declining prices. Increased land and ocean transportation costs contributed to further erosion of the average net selling price for sulphur at the Company's plants to $5.67 per long ton. This compares with an average plant net price of $7.53 per long ton of the previous year.

However, indications of a firming trend in the sulphur market were noted during the last quarter of 1972. This trend resulted from increased fertilizer demand and the development of new offshore markets. The demand for liquid sulphur in North America is now more in balance and in certain areas is approaching a situation of tight supply. The plants operated by the Company, and those non-operated plants in which it owns a working interest, are all adjacent to existing transportation systems and have access to all markets. Having a significant inventory, conveniently placed, the Company is in an excellent position to benefit from any improvement in the sulphur market.

The accompanying table indicates the sulphur sales with comparative data from the previous year:

Company's Share of Sulphur Sales (long tons)	1972	1971
Petrogas Plant	120,243	124,256
Peace River Plant	50,560	52,838
Other Plants	5,677	10,828
TOTAL	176,480	187,922
Distribution		
Off-shore Sales	67,901	70,774
North American Sales	108,579	117,148

Minerals Division

The following is a summary of the acreage held by the Minerals Division in various parts of Canada:

Yukon	—	64,868 acres
British Columbia	—	2,340 acres
Saskatchewan	—	369,543 acres
New Brunswick	—	5,120 acres

During the year, the Company continued its search for large tonnage porphyry-type copper-molybdenum deposits in the Yukon. A preliminary evaluation was completed of eight groups of mining claims located in the Dawson Range which had been staked following regional geochemical surveys during 1971. Results indicate that further work is warranted on four of these groups of claims. An additional eleven groups of mining claims were staked in the Dawson Range for evaluation during 1973. The drill investigation of the Company's Yukon Pelly River mining claims yielded negative results.

Airborne geophysical surveys were completed over the two permits held in northern Saskatchewan. Nine areas have been selected for further investigation by ground geophysical surveys and drilling during the winter of 1972-73.

Late in the year, the Company obtained an option to acquire up to a 90% interest in mining claims in southern British Columbia. Work to evaluate the merits of this property will commence in May, 1973.

The preliminary evaluation of the New Brunswick mining claims is still in progress and drilling is scheduled for late 1973.


Main production unit of chlorine cells
at North Vancouver chlor-alkali plant

CHEMICAL OPERATIONS

Hooker Chemicals Division

The Company has chlorine and caustic soda plants at North Vancouver and Nanaimo, British Columbia. Most of the chlorine and caustic soda is sold to the pulp and paper industry in western Canada for pulp treatment and bleaching. Although there was a reduced demand for bleaching chemicals in British Columbia during the first half of 1972, this was offset by export sales to the United States enabling the division to meet its planned production and sales levels for the year.

The North Vancouver plant operated at its daily capacity of 330 tons of chlorine and 363 tons of caustic soda until the completion of the plant expansion on November 22, 1972. This expansion increased the plant capacity by 65 tons per day of chlorine and 72 tons per day of caustic soda. Construction of the plant expansion was delayed by a 90-day construction workers' strike. This strike equally delayed completion of two new pulp mills at Quesnel and Mackenzie, British Columbia, both of which have contracted to purchase their entire requirements of chlorine and caustic soda from the North Vancouver plant on a long term basis.

The muriatic acid facility at the North Vancouver plant operated at satisfactory levels throughout the year, supplying product to the mining and chemical industries in British Columbia.

In mid-summer, construction of a 5,000 ton per year salt recovery unit at the North Vancouver plant was completed. The Company has leased a custom built fleet of four railroad tank cars to move this product to its sole pulp mill customer at Kamloops, British Columbia, where it is used to generate chlorine dioxide bleaching gas. Other markets for recovered salt sales are being explored to maximize this operation and it is anticipated that sales will reach planned levels in 1973.

The Nanaimo plant continued to operate at maximum capacity throughout the year. Bleaching chemicals are transported by pipeline from this plant to the adjacent Harmac pulp mill, which is one of the largest bleached kraft pulp mills in North America.

Chlor-alkali plant at Nanaimo, B.C.

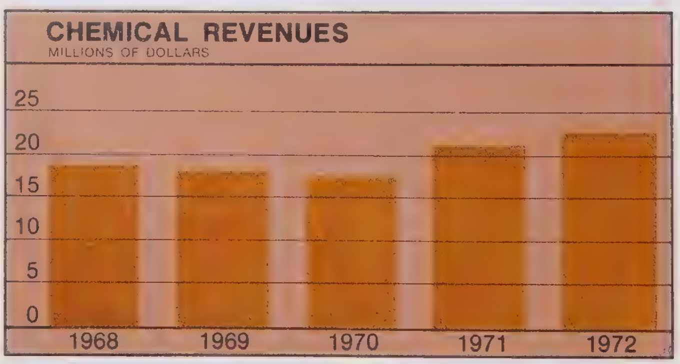
Much of the chlor-alkali production is shipped to the pulp mill customers by the Company's own transportation system of railroad tank cars and barges. The specialty chemical barge "Metlakatla", which can carry up to 5,000 tons of caustic soda and 900 tons of chlorine, provides regular service to a pulp mill customer at Prince Rupert, British Columbia. The rail barge "Hyak King", shown on page 13, is capable of carrying twelve 100-ton rail cars on the deck and 1,500 tons of liquid caustic soda in below-deck storage. The high production levels at the plants during the year resulted in the highest ever utilization of the Company's transportation system.

As a result of the plant expansion and new pulp mill contracts, the Company now supplies well over half of the total market for chlorine and caustic soda in British Columbia. It is anticipated that the strong demand for the Company's chlor-alkali production will continue throughout 1973 and that both plants will operate at maximum production levels.

Plastics

The Company's wholly-owned subsidiary, Hooker Chemicals (Nanaimo) Limited, operates a plastics and resin manufacturing plant at Fort Erie, Ontario. This plant was completed in mid-1970 at an approximate cost of $4 million. The necessary technology and expertise required to design and train personnel to operate this plant was provided by the Durez plastics division of Hooker Chemical Corporation.

The plant manufactures phenolic molding compounds and phenolic and polyester resins. These products are used to mold or fabricate a wide range of components and finished goods for the automotive, household appliance, foundry, marine, chemical processing, communications and electrical industries. With this broad industrial base, continued growth in the sales of DUREZ ® (durable resins) can be expected.



Metal Finishing

The Company's wholly-owned subsidiary, Oxy Metal Finishing of Canada Ltd., has two separate but complementary operations, both located in the plant at Rexdale, Ontario.

The Parker division is Canada's major manufacturer and supplier of products for the treating, cleaning and finishing of metal products used in the automotive, appliance, construction and general manufacturing industries. New and improved chemical products are continually being developed for this highly specialized industrial field. 1973 marks the 25th year of continuous operation in Canada for Parker. Its growth has been consistent with the growth of the aforementioned Canadian industries which it serves. In 1972, sales increased by approximately 20% to record highs.

The Sel-Rex division supplies precious metal electroplating compounds and equipment to the electronics and jewellery industries. Sel-Rex manufactures and sells approximately 50% of the gold plating salts used in Canada.

Rail tanker barge "Hyak King"


60°
70°
170°
160°
150°
140°
130°
50°
40°
ALASKA
Prudhoe Bay
PRINCE PATRICK I.
MELVILLE I.
BANKS ISLAND
VICTORIA ISLAND
Fairbanks
Anchorage
Inuvik
YUKON
Norman Wells
Whitehorse
NORTHWEST TERRITORIES
Yellowknife
Ft. Nelson
Ft. St. John
BRITISH COLUMBIA
ALBERTA
SASKATCHEWAN
MANITO
C
A
Edmonton
Calgary
Saskatoon
Regina
Winnipeg
Vancouver
Victoria
U.S.A.
OXY
CANADIAN OCCIDENTAL PETROLEUM LTD.
Oil and Gas Properties
Plant Locations
Mining Properties
100
0
100
200
300
400
Miles

110°
100°
90°
80°
70°
60°
70°
GREENLAND
ICELAND
ATHURST I.
DEVON I.
60°
50°
40°
NADA
NEWFOUNDLAND
St. John's
QUEBEC
ONTARIO
P.E.I.
N. B.
N.S.
Halifax
Montreal
Ottawa
Toronto

FIVE YEAR STATISTICAL REVIEW

	1972	Restated 1971	1970	1969	1968
FINANCIAL (1)					
Revenues	$28,505	$26,713	$23,854	$26,987	$29,051
Net income (2)	$ 5,310	$ 3,290	$ 2,893	$ 5,336	$ 5,477
Per share (3)	$ .79	$ .55	$ .53	$ .98	$ 1.01
Cash flow from operations	$ 9,682	$ 8,241	$ 5,856	$ 7,732	$ 7,922
Per share (3)	$ 1.43	$ 1.35	$ 1.07	$ 1.42	$ 1.46
Working capital	$10,753	$11,252	$ 8,092	$ 9,586	$10,932
Capital expenditures	$10,225	$12,213	$ 5,467	$ 6,428	$ 4,790
Long-term debt	$ 175	$ 200	$ 7,371	$ 8,778	$11,915
Shareholders' equity	$72,048	$66,738	$49,567	$46,916	$42,111
OPERATING					
Proven reserves					
Pipeline gas (billions of cubic feet)	278	293	307	341	353
Crude oil and natural gas liquids (thousands of barrels)	7,680	7,934	7,340	7,590	7,390
Sulphur (thousands of long tons)	3,317	3,488	3,832	4,003	4,079
Gross production					
Pipeline gas (billions of cubic feet)	19.0	19.2	18.4	17.6	17.5
Crude oil and natural gas liquids (thousands of barrels)	840.9	692.8	601.5	405.5	395.6
Sulphur (thousands of long tons)	237.4	257.2	265.6	269.2	275.8
Well data					
Net wells—gas	27.7	23.0	19.1	16.5	16.9
Net wells—oil	20.6	21.0	12.5	16.1	3.0
Land holdings					
Gross acres (thousands of acres)	6,675.4	8,013.0	6,638.7	8,600.1	5,703.9
Net acres (thousands of acres)	4,950.4	6,022.7	2,579.4	3,309.5	2,020.6

Dollar amounts are in thousands, except for the per share data.

(1) The figures for the years 1968 to 1971, inclusive, represent the combined results of Jefferson Lake Petrochemicals of Canada Ltd. and the chemical operations conducted by Canadian subsidiaries of Occidental Petroleum Corporation. The amounts for these periods have been restated, from those previously reported, to give effect to the accounting change as described in Note 2 of the Notes to the Consolidated Financial Statements which appear elsewhere in this report.

(2) Includes an extraordinary write-off in 1971 of $253,000 or 4 cents per share. For details refer to the consolidated statement of income.

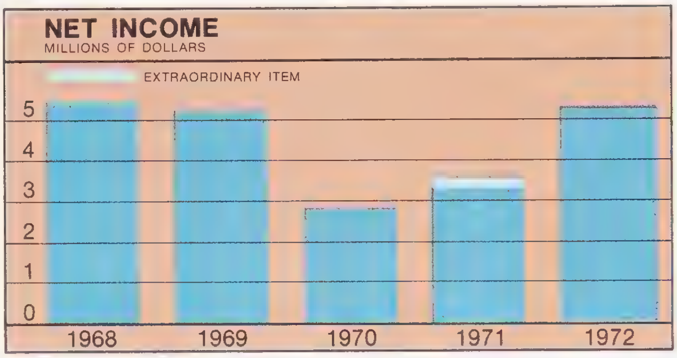
(3) Per share amounts are based on the weighted average number of shares outstanding during each year after retroactively including, for the years 1970, 1969 and 1968, 2,772,727 shares issued in connection with the pooling of interest of the chemical operations and Jefferson Lake Petrochemicals of Canada Ltd.

Earnings

Cash flow from operations for 1972 was $9,682,000 or $1.43 per share, an increase of 17% over the 1971 amount of $8,241,000 or $1.35 per share. Net Income increased 61% to $5,310,000 or $0.79 per share in 1972, compared with $3,290,000 and $0.55 per share in the previous year which included an extraordinary write-off of $253,000 or $0.04 per share.

The increase in earnings for the year 1972 stems from the reorganization which occurred in 1971 and increased revenues in both the oil and gas and chemical sectors of the Company.

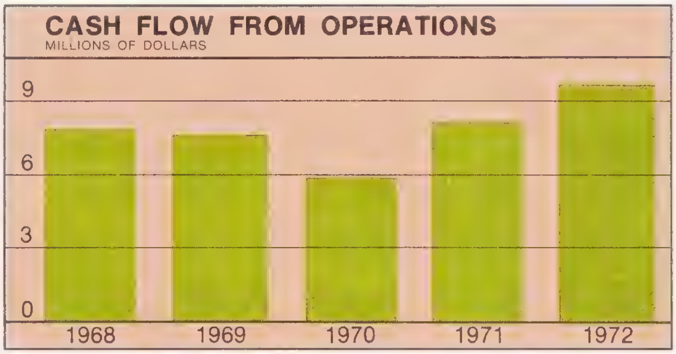
The earnings for 1971 have been restated to give effect to an accounting change adopted in 1972 whereby the Company is now recording its 30.9% investment in Petrogas Processing Ltd. by the equity accounting method, whereas in all prior years the investment was accounted for at cost.



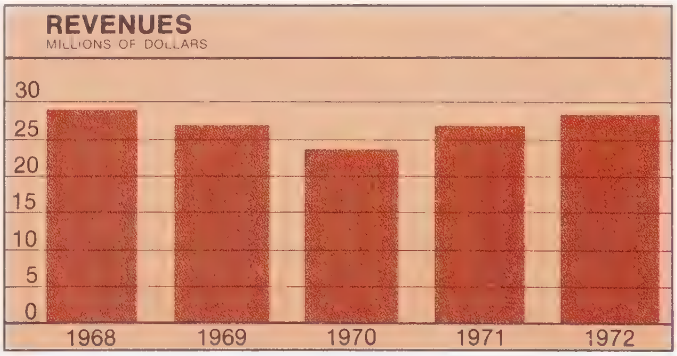
Revenues

Revenues for 1972 were $28,505,000, an increase of $1,792,000 or 7% over the 1971 amount of $26,713,000. The contributions to revenues are summarized as follows:

	1972	1971	Increase
Oil and Gas Operations	$ 6,230,000	$ 5,747,000	$ 483,000
Chemical Operations	22,275,000	20,966,000	1,309,000
	$28,505,000	$26,713,000	$1,792,000



The improvement in revenues from the oil and gas operations reflects the higher prices being received for natural gas and the acquisition of producing oil properties effective January 1, 1972. The increased revenues from the chemical operations are attributable to the strong demand for chlorine and caustic soda and the continued growth within the Company's plastics and metal finishing operations.



Costs and Expenses

Costs and expenses amounted to $22,783,000 in 1972, an increase of $1,005,000 or 5% over 1971. This was due primarily to additional product costs as a result of higher sales volumes and an increase in the charge for depletion, depreciation and amortization related to the Company's oil and gas and mining operations.

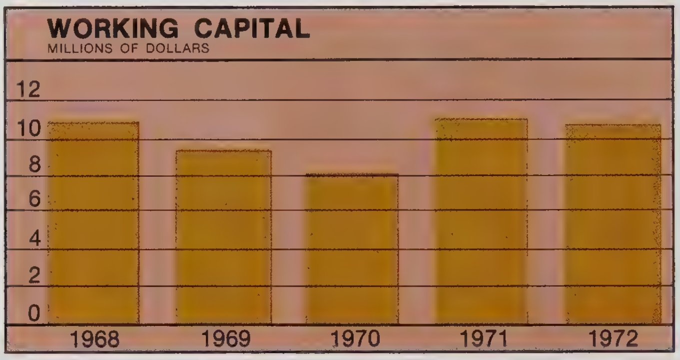
Changes in Financial Position

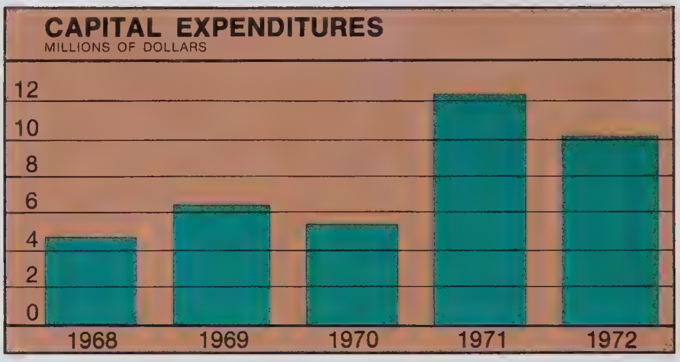
Working capital at the end of 1972 was $10,753,000, a decrease of $499,000 over the 1971 amount of $11,252,000. This moderate reduction in working capital was due to a substantially increased cash outlay for capital expenditures.

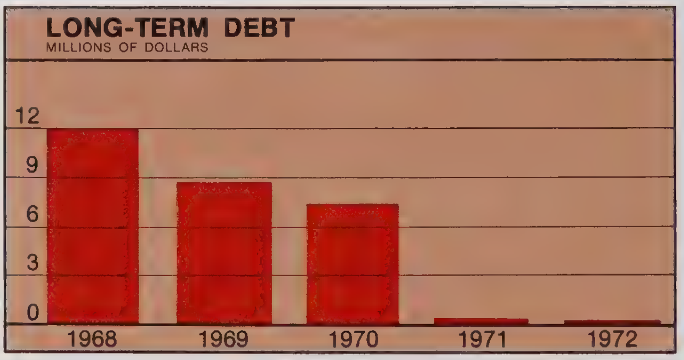
The cash outlay for capital expenditures in 1972 was $10,225,000 compared with $5,213,000 in 1971. The 1971 cash outlay was in addition to the purchase of Occidental's Canadian oil and gas properties for $7 million in exchange for common shares of the Company. The principal expenditures in 1972 were for oil and gas exploration, the acquisition of mining claims and minerals exploration, and the major expansion of the North Vancouver chlor-alkali plant.

The following table sets forth a summary of capital expenditures:

	1972	1971
Oil and Gas Operations		
Exploration and production, including purchase of producing properties	$ 6,710,000	$ 4,475,000
Acquisition of Occidental's Canadian oil and gas properties	—	7,000,000
	6,710,000	11,475,000
Mining Ventures		
Including acquisition of mining claims from Occidental Minerals Corporation of Canada Ltd.	653,000	30,000
Chemical Operations . . .	2,862,000	708,000
	$10,225,000	$12,213,000







Personnel

At December 31, 1972, the Company had a total of 401 employees, and the total of all salaries and wages paid including the cost of all employee benefit programs, was approximately $4,990,000 in 1972.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1972 AND 1971

	1972	1971 Restated (Note 2)
	(Amounts in Thousands)	
REVENUES (Notes 1 and 7):		
Net sales and other revenues	$28,127	$26,454
Interest	378	259
	28,505	26,713
COSTS AND EXPENSES (Notes 7 and 8):		
Cost of products sold (Note 2)	20,563	19,416
Selling and administrative expenses	1,958	1,923
Interest expense	21	230
Reorganization expenses (Note 1)	—	154
Other expenses	241	55
	22,783	21,778
INCOME BEFORE INCOME TAXES AND EXTRAODINARY ITEMS	5,722	4,935
PROVISION FOR INCOME TAXES (Note 4)	412	1,392
INCOME BEFORE EXTRAORDINARY ITEMS	5,310	3,543
EXTRAORDINARY ITEMS:		
Exchange gain on conversion of long-term debt	—	241
Loss on sale of Coleman Plant	—	(494)
	—	(253)
NET INCOME	$ 5,310	$ 3,290
EARNINGS PER SHARE (Notes 2, 4 and 6):		
Income before extraordinary items	$ .79	$ .59
Extraordinary items	—	(.04)
Net income	$ .79	$ .55

The accompanying notes are an integral part of this statement.

CANADIAN OCCIDENTAL PETROLEUM LTD. AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET · DECEMBER 31, 1972 AND 1971

ASSETS

	1972	1971 Restated (Note 2)
	(Amounts in Thousands)	
CURRENT ASSETS:		
Cash and demand deposits	$ 6,106	$ 4,548
Marketable securities, at cost which approximates market	—	386
Accounts receivable —		
Trade and other	4,444	4,463
Occidental Petroleum Corporation and subsidiaries	—	485
Income taxes recoverable	—	49
Inventories (Notes 1 and 2)	3,207	2,831
Prepaid expenses	174	158
Total current assets	13,931	12,920
INVESTMENTS AND ADVANCES:		
Petrogas Processing Ltd. (Note 2)	4,879	4,651
Other (Note 8)	203	226
	5,082	4,877
PROPERTY, PLANT AND EQUIPMENT, at cost (Notes 1 and 3)	87,396	78,110
Less — accumulated depreciation, depletion and amortization	27,469	23,440
	59,927	54,670
DEFERRED CHARGES	1,377	1,116
	$80,317	$73,583

The accompanying notes are an integral part of this balance sheet.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1972	1971 Restated (Note 2)
	(Amounts in Thousands)	
CURRENT LIABILITIES:		
Occidental Petroleum Corporation and subsidiaries including $233,000 8% demand note in 1971	$ 821	$ 233
Accounts payable	1,700	1,060
Accrued liabilities	306	350
Income taxes payable	326	—
Current portion of loan	25	25
Total current liabilities	3,178	1,668
ONTARIO DEVELOPMENT CORPORATION LOAN, due or forgivable in 1976, less current portion	175	200
DEFERRED INCOME TAXES (Note 4)	4,916	4,977
SHAREHOLDERS' EQUITY:		
Common shares, $1 par value; authorized 15,000,000 shares; outstanding 6,752,241 (Note 5)	6,752	6,752
Capital in excess of par value	33,786	33,786
Retained earnings (Notes 2 and 4)	31,510	26,200
	72,048	66,738
COMMITMENTS AND CONTINGENCIES (Note 9)		
	$80,317	$73,583

APPROVED ON BEHALF OF THE BOARD:

Robert A. Teitsworth

ROBERT A. TEITSWORTH, Director

David B Chalmers

DAVID B. CHALMERS, Director

The accompanying notes are an integral part of this balance sheet.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 1972 AND 1971

	1972	1971 Restated (Note 2)
	(Amounts in Thousands)	
FUNDS WERE PROVIDED BY:		
Net income	$ 5,310	$ 3,290
Add amounts not requiring an outlay of working capital—		
Depreciation, depletion and amortization	4,683	4,207
Other	(311)	744
	9,682	8,241
Common stock issued	—	14,255
Sale of property, plant and equipment	344	950
	10,026	23,446
FUNDS WERE USED FOR:		
Exploration and other capital expenditures	10,225	5,213
Acquisition of Occidental's Canadian oil and gas properties	—	7,000
Reduction in loans	25	7,171
Other	275	902
	10,525	20,286
INCREASE (DECREASE) IN WORKING CAPITAL	$ (499)	$ 3,160
Increase (Decrease) in Current Assets —		
Cash and marketable securities	$ 1,172	$ 1,990
Accounts receivable	(553)	—
Inventories and other	392	(818)
	1,011	1,172
Increase (Decrease) in Current Liabilities —		
Occidental Petroleum Corporation and subsidiaries	588	(207)
Accounts payable and accrued liabilities	596	(578)
Income taxes payable	326	—
Current portion of loans	—	(1,203)
	1,510	(1,988)
INCREASE (DECREASE) IN WORKING CAPITAL	$ (499)	$ 3,160
WORKING CAPITAL, END OF YEAR	$10,753	$11,252

The accompanying notes are an integral part of this statement.

CANADIAN OCCIDENTAL PETROLEUM LTD. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1972 AND 1971

	Common Shares Par Value of $1	Capital In Excess of Par Value	Series B Share Purchase Warrants	Retained Earnings (Note 4)
		(Amounts in Thousands)		
BALANCES, DECEMBER 31, 1970, as previously reported	$ 5,456	$21,196	$ 5	$20,105
Adjustment for the effect on prior years as a result of the change to the equity method of accounting for the investment in Petrogas Processing Ltd. (Note 2)	—	—	—	2,805
BALANCES, DECEMBER 31, 1970, as restated	5,456	21,196	5	22,910
Common shares issued in payment for Occidental Petroleum Corporation's Canadian oil and gas properties	636	6,364	—	—
Common shares issued on conversion of long-term debt by Occidental Petroleum Corporation and Subsidiaries	658	6,578	—	—
Debt discount and financing costs which were being amortized over the life of the long-term debt converted	—	(375)	—	—
Common shares issued on conversion of Series B share purchase warrants and exercise of employee stock options	2	18	—	—
Series B share purchase warrants — expired June 1, 1971	—	5	(5)	—
Net income, as restated (Note 2)	—	—	—	3,290
BALANCES, DECEMBER 31, 1971, as restated	6,752	33,786	—	26,200
Net income	—	—	—	5,310
BALANCES, DECEMBER 31, 1972	$ 6,752	$33,786	$ —	$31,510

The accompanying notes are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1972 AND 1971

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Reorganization — The consolidated financial statements are expressed in Canadian dollars and include the accounts of the Company and its wholly-owned subsidiary companies. All intercompany transactions and accounts have been eliminated on consolidation. Reclassifications have been made to certain 1971 balance sheet accounts to conform with the 1972 presentation.

The Company was formed July 12, 1971, as a result of the statutory amalgamation of Jefferson Lake Petrochemicals of Canada Ltd. and New Hooker Canada Limited. The amounts for 1971 give effect to the amalgamation and the transaction was accounted for as a pooling of interest, at net book value.

Revenues and net income related to the business segments of the Company are as follows:

	1972			1971		
	Oil and Gas	Chemicals	Total	Oil and Gas Restated (Note 2)	Chemicals	Total Restated (Note 2)
			(Amounts in Thousands)			
Revenues	$6,230	$22,275	$28,505	$5,747	$20,966	$26,713
Income Before Extraordinary Items	$ 617	$ 4,693	$ 5,310	$ 103	$ 3,440	$ 3,543
Net Income	$ 617	$ 4,693	$ 5,310	$ (150)	$ 3,440	$ 3,290

The chemical operations have seven major customers and the sales to these customers are under contracts that expire at various dates up to 1980. In the years 1972 and 1971 these major customers accounted for 63% and 59% respectively, of the total revenues from the chemical operations.

Inventories — Inventories are valued at the lower of cost (average or first-in, first-out) or market and consist of the following:

	1972	1971 Restated (Note 2)
	(Amounts in Thousands)	
Finished products	$1,721	$1,454
Tubular goods and field supplies	91	153
Work in process, raw materials and manufacturing supplies	1,395	1,224
	$3,207	$2,831

Depreciation — Depreciation of chemical and sulphur plants and related equipment is provided on the straight line basis using estimated useful lives. The cost of equipment retired or otherwise disposed of in the normal course of business, is charged or credited to accumulated depreciation, after considering salvage value or proceeds from sale. Maintenance and repairs are charged to income as incurred and major renewals and betterments are capitalized.

Full Cost Method of Accounting — The Company follows the full cost method of accounting whereby all costs of acquiring, exploring for and developing oil and gas reserves are capitalized, including preproduction expenses, production equipment and costs of non-producing properties. Provision for depletion and depreciation is computed on the unit of production method based on the estimated proven recoverable oil and gas reserves. In the calculation, barrels of crude oil are converted to equivalent cubic feet of gas on the basis of the relative net sales value of each product.

Amortization of Mining Exploration Costs — Mining exploration costs are capitalized as incurred. A regular charge for amortization is made to earnings and when complete projects are abandoned, the capitalized cost is charged to the accumulated amortization. As projects are proven, the capitalized costs will be amortized on the unit of production method using estimated recoverable mineral reserves.

2. INVESTMENT IN PETROGAS PROCESSING LTD.

Petrogas Processing Ltd., in which the Company has a 30.9% interest, is a joint venture company incorporated by the working interest owners in the East Calgary field, to construct and own the plant and field facilities necessary to process the field gas for the recovery of pipeline gas, condensate, liquefied petroleum gases and elemental sulphur. The costs incurred, by Petrogas, in processing the gas are recovered through a service charge to the working interest owners. The Company is the operator of the Petrogas facilities and in turn, allocates its share of the service charge to natural gas sold and the sulphur recovered.

The Company has accounted for the investment in common stock of Petrogas Processing Ltd. by the equity accounting method in 1972, whereas in all previous years the investment was accounted for on the cost method.

The effect of the accounting change is as follows:

	1972	1971		
	Increase (Decrease)	Previously Reported	Restated	Increase (Decrease)
		(Amounts in Thousands)		
Effect on —				
Inventories	$ (32)	$3,297	$2,831	$ (466)
Investment in Petrogas Processing Ltd.	$ 228	$1,607	$4,651	$3,044
Net income	$ 196	$3,517	$3,290	$ (227)
Per share	$ .03	$ .58	$ .55	$ (.03)

3. PROPERTY, PLANT AND EQUIPMENT

	1972		1971	
	Cost	Accumulated Depreciation, Depletion and Amortization	Cost	Accumulated Depreciation, Depletion and Amortization
	(Amounts in Thousands)			
Chemical plants and equipment	$35,870	$15,374	$33,658	$14,040
Sulphur extraction plants and equipment	2,374	1,242	2,351	1,166
Mining exploration costs	761	152	108	—
Oil and gas properties—				
Leasehold interests, contract rights, development and exploration costs	46,420	10,210	40,116	7,848
Well, lease and other equipment	1,971	491	1,877	386
	$87,396	$27,469	$78,110	$23,440

For the description of depreciation, depletion and amortization policies and other related matters refer to Note 1.

4. INCOME TAXES

Income taxes charged in the statement of income have been computed on the tax allocation basis except for the effect of all drilling, exploration and lease acquisition costs, for which tax allocation is not generally applied in the Canadian oil and gas industry.

As a result of deducting drilling, exploration and lease acquisition costs for tax purposes, no income taxes were paid for the years 1972 and 1971 by Canadian Occidental Petroleum Ltd. or by Jefferson Lake Petrochemicals of Canada Ltd. for the period prior to July 12, 1971. Income taxes were paid for 1972 and 1971 by certain subsidiaries.

As of December 31, 1972, approximately $6,800,000 of drilling, exploration and lease acquisition costs remain to be applied against future taxable income.

If the tax allocation basis had been followed for drilling, exploration and lease acquisition costs, the deferred income tax provisions would have been $2,200,000 for 1972 and $1,135,000 for 1971, and earnings per share would have been reduced by $.33 in 1972 and $.19 in 1971. The accumulated income tax reductions, not recorded in the accounts, aggregated approximately $10,200,000 as of December 31, 1972.

5. CAPITAL STOCK AND STOCK OPTIONS

Under the stock option plan, options granted to certain officers and employees are contingent upon continued employment and are exercisable on a cumulative basis over a period of five years from the date of grant.

At December 31, 1972, 23,219 shares were reserved for issuance under outstanding options at prices of $10.13, $11.13 and $11.38 per share. During 1972, options for 8,950 shares were granted; and options for 8,561 shares were exercisable at $10.13 and $11.13 per share.

6. EARNINGS PER SHARE

The earnings per share have been calculated on the basis of the weighted average number of shares outstanding during the year. The weighted average number of shares for the years ended December 31, 1972 and 1971, are 6,752,241 shares and 6,104,660 shares respectively. Exercise of all outstanding options has no material effect on the per share calculations.

7. INTER-COMPANY TRANSACTIONS

Occidental Petroleum Corporation and subsidiaries render advisory and counselling services, of a routine nature, to the Company and its subsidiaries consisting primarily of technical, research, administrative and marketing services. The cost of these services amounted to $851,000 in 1972 and $670,000 in 1971. In addition, specialized services, other than a routine nature, (engineering and technical consultation for new construction, modifications and process improvements) are also rendered and the cost of these services were $476,000 in 1972 and $230,000 in 1971.

Also, the chemical operations of the Company periodically purchase materials from and sell materials to Hooker Chemical Corporation (a subsidiary of Occidental Petroleum Corporation). During 1972, purchases amounted to $2,157,000 compared with $1,537,000 in 1971 and sales were $1,699,000 in 1972 and $2,259,000 in 1971. These purchases and sales were at competitive prices.

8. DIRECTORS AND OFFICERS

	1972	1971
Number of directors (including past directors)	12	13
Remuneration as directors	$ 11,800	$ 12,000
Number of officers (including past officers)	10	10
Remuneration as officers	$231,000	$223,000
Number of officers who are directors	2	2

Included in other investments are advances to an officer under the executive stock-purchase plan. The advances are evidenced by 5% promissory notes ($86,000 due December 1973 and $20,000 due May 1975) which are collateralized by 5,000 shares of the Company. The sole remedy for non-payment is foreclosure on the collateral; no deficiency judgment being recoverable. The quoted market value of the collateral at February 9, 1973 approximated $70,000.

9. COMMITMENTS AND CONTINGENCIES

The Company may be required under certain conditions to make payments under guarantee arrangements in connection with the issuing of non-interest-bearing, demand promissory notes deposited with the Federal or Provincial governments. The notes are held as work performance deposits in respect of exploratory rights and the contingent liability under such arrangements does not exceed $735,000.

Under the terms of certain notes issued by Occidental Petroleum Corporation, there remain restrictions on the ability of the Company to incur certain types of funded debt. The debt at December 31, 1972 and 1971 did not contravene these restrictions.

Auditors' Report

TO THE SHAREHOLDERS OF
CANADIAN OCCIDENTAL PETROLEUM LTD.:

We have examined the consolidated balance sheet of Canadian Occidental Petroleum Ltd. (a Canada corporation and a subsidiary of Occidental Petroleum Corporation) and subsidiary companies as of December 31, 1972 and 1971, and the related consolidated statements of income, shareholders' equity and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Canadian Occidental Petroleum Ltd. and subsidiary companies as of December 31, 1972 and 1971, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change (with which we concur) in the method of recording the investment in Petrogas Processing Ltd. as explained in Note 2 to the financial statements.

ARTHUR ANDERSEN & CO.
CHARTERED ACCOUNTANTS

Calgary, Canada.
February 9, 1973.

HEAD OFFICE
1000 Calgary House
550 Sixth Avenue Southwest
Calgary, Alberta, Canada

KEY PERSONNEL
Head Office
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W. W. Chalmers, Mgr. Plant Operations
D. F. Christensen, Mgr. Exploration
G. S. Horne, Mgr. Production
J. Meronek, Purchasing Agent
C. R. Mikkelborg, Mgr. Land
C. K. Stackhouse, Mgr. Personnel

Hooker Chemicals Division
100 Amherst Avenue,
North Vancouver, British Columbia
L. H. Schnurstein, General Manager
N. R. Richards, Controller

Minerals Division
Suite 801,
161 Eglinton Avenue, East,
Toronto, Ontario
Dr. J. J. Brummer, Manager

Peace River Plant
Taylor, British Columbia
J. Shaw, Plant Superintendent

TRANSFER AGENTS
National Trust Company, Limited
Calgary, Toronto, Montreal,
Winnipeg and Vancouver

The First National City Bank
New York, N.Y.

REGISTRARS
National Trust Company, Limited
Calgary, Alberta

The Chase Manhattan Bank
New York, N.Y.

AUDITORS
Arthur Andersen & Co.
Calgary, Alberta, Canada

SHARES LISTED
American Stock Exchange
Toronto Stock Exchange

SUBSIDIARY COMPANIES
Oxy Metal Finishing of Canada Ltd.
Plant and Head Office
165 Rexdale Boulevard,
Rexdale, Ontario
R. I. Peterson - Vice-President & General Mgr.

Hooker Chemicals (Nanaimo) Limited
Chlor-alkali plant
Nanaimo, British Columbia
C. N. Hopkins - Works Mgr.

Plastics plant
Dunlop Street, Fort Erie, Ontario
Richard J. Malis - Works Mgr.

Canadian Occidental of California, Inc.

Jefferson Minerals Corporation

AFFILIATED COMPANY
Petrogas Processing Ltd.
Balzac, Alberta
R. S. Geddes, Plant Superintendent

SULPHUR-SALES AGENTS
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